

## Message Text

SECRET

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-04 INR-07 L-03 ACDA-07  
NSAE-00 PA-01 SS-15 PRS-01 SP-02 USIA-06 TRSE-00  
EB-07 COME-00 FRB-03 OMB-01 AID-05 DODE-00 NEA-10  
/085 W

-----049336 141036Z /15

R 141008Z JUL 77  
FM USMISSION NATO  
TO SECSTATE WASHDC 4837  
ALL NATO CAPITALS  
AMEMBASSY BELGRADE  
AMEMBASSY BERLIN  
AMEMBASSY BUCHAREST  
AMEMBASSY BUDAPEST  
AMEMBASSY MOSCOW  
AMEMBASSY PRAGUE  
AMEMBASSY SOFIA  
AMEMBASSY WARSAW

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BRUSSELS ALSO USEEC; PARIS ALSO USOECD; BELGRADE FOR  
USDEL CSCE

E.O. 11652:GDS  
TAGS: NATO, EAID, MARR, XH  
SUBJECT: ECONADS: REINFORCED MEETING ON COMMUNIST  
AID AND TRADE WITH LDCS

REF.: (A) STATE 126233(NOTAL); (B)USNATO 4709(NOTAL);  
(C)USNATO A-300

SUMMARY: WELL ATTENDED AND CHARACTERIZED BY ACTIVE  
DEBATE, THE ECONADS MEETING ON COMMUNIST AID AND  
TRADE ACTIVITIES IN THE LDCS PROVIDED A USEFUL  
FORUM FOR EXCHANGE OF ALLIED VIEWS ON MAGNITUDE,  
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MOTIVATIONS, AND EFFECTIVENESS OF COMMUNIST ECONOMIC  
AND MILITARY ASSISTANCE IN THE THIRD WORLD.  
END SUMMARY

1. ATTENDED BY EXPERTS FROM CAPITALS AND RESIDENT MEMBERS  
OF THE NATO ECONOMIC COMMITTEE, THE JUNE 16 MEETING  
BENEFITED FROM PRIOR CIRCULATION OF CONTRIBUTIONS  
FROM THE US (SEE ER77-10296 FOR A MORE DETAILED,

NOFORN VERSION), FRANCE, THE UK, TURKEY AND CANADA - THE FIRST THREE AS FORMAL ECONOMIC COMMITTEE WORKING PAPERS, THE LATTER TWO (FOLLOWING BY AIRGRAM) AS INFORMAL DELEGATION MEMOS. VISITING SPECIALISTS INCLUDED J. C. POOLE, CANADIAN EMBASSY BUCHAREST; C. FABER ROD, DANISH FOREIGN MINISTRY; MAJORS B. VIDELIO AND J. GABRIEL-SABATIER OF THE FRENCH SECRETARIATE GENERAL DE LA DEFENSE NATIONALE; DR. M. KOLB OF THE GERMAN FEDERAL INTELLIGENCE SERVICE; MR. G. GIRARDO OF THE ITALIAN MFA DIVISION DEALING WITH LDCS; QUENTIN BACH AND MRS. J. P. HAMILTON-EDDY OF THE UK MOD DIRECTORATE OF ECONOMIC INTELLIGENCE AND MISS A.W. LEWIS OF THE FCO RESEARCH DIVISION; AND MRS. ORAH COOPER, OER.

2. THE U.S. EXPERT HIGHLIGHTED THE KEY FINDINGS OF THE US PAPER ON COMMUNIST MILITARY AND ECONOMIC AID IN 1975-76, SHE POINTED OUT THAT WHILE ALL AID DECISIONS ARE MADE WITHIN A POLITICAL CONTEXT, THE MORE PRAGMATIC CHARACTER OF THE PROGRAM NOTED AT THE 1975 MEETING (75USNATO 3713) DEVELOPED MORE CLEARLY OVER THE PAST TWO YEARS. IN GENERAL, SOVIET AID HAS EMERGED AS A MORE "COMMERCIAL" ORIENTED PROGRAM. THIS WAS APPARENT IN THE BROAD, MORE FLEXIBLE ECONOMIC FRAMEWORK AGREEMENTS NOW APPLIED IN MOST CASES, AND IN THE VAST EXPANSION OF COMMERCIAL ASSOCIATED ACCORDS  
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WITH KEY COUNTRIES. SOME OF THESE HAVE AID COMPONENTS (AND RANGED UPWARDS OF \$10 BILLION, SIGNED OR UNDER NEGOTIATION IN 1976). SIMILAR GENERALIZATIONS APPLY TO SOVIET MILITARY AID WHICH YIELDED THE RUSSIANS SOME \$1.5 BILLION OF HARD CURRENCY LAST YEAR AND PUT THEM INTO THE ARMS MERCHANT CLASS. (THE NEW VALUE SERIES ON MILITARY SALES WAS EXPLAINED).

3. RESPONDING TO THE US PRESENTATION, THE FRENCH EXPERTS PUT FORTH DETAILS ON RECENT SOVIET EFFORTS IN AFRICA AND NOTED THE LIMITED NATURE OF THE LATTER'S THIRD WORLD PENETRATION THROUGH ECONOMIC (AS AGAINST MILITARY) AID. THE OPPORTUNISTIC CHARACTER OF RECENT SOVIET MILITARY VENTURES WAS CITED, AND CONCURRED IN BY OTHER REPS. THE FRENCH ALSO CALLED ATTENTION TO A LARGE INCREASE IN EAST GERMAN PRESENCE IN THE THIRD WORLD.

4. THE UK SPECIALIST ON ECONOMIC AID (BACH) TOOK SERIOUS EXCEPTION TO THE US PRESENTATION, BOTH AS TO CONTENT AND METHODOLOGY. UNDER QUESTIONING CONCERNING LOWER UK ESTIMATES HE ADMITTED TO LACK OF KNOWLEDGE OF SEVERAL MAJOR SOVIET CREDITS (INCLUDING THOSE TO SYRIA AND IRAQ) WHICH

HAD BEEN FACTORED INTO THE US CONCLUSIONS. THE BRITISH CHALLENGED THE USE OF TRADE RESIDUALS AS A BASIS FOR CHECKING SOVIET MILITARY EXPORT PRICES, CONTENDING THAT OTHER ELEMENTS IN THESE RESIDUALS REDUCE THEIR VALIDITY. ATYPICALLY THE UK EXPERT FREQUENTLY EMPLOYED SARCASM AND DERISION IN HIS INTERVENTIONS AND DETRACTED FROM THE OTHERWISE EXCELLENT ATMOSPHERE OF THE MEETING.

5. DURING A REVIEW OF THE COMMUNIST PROGRAMS FROM THE STANDPOINT OF THE TARGET LDCS, THE US EXPERT SUGGESTED THAT ON BALANCE THEY MUST BE RATED A SUCCESS OR THE MAJOR

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RECIPIENTS WOULD NOT CONTINUE TO SEEK AND ACCEPT SUCH AID. SHE NOTED SUCH FAVORABLE ELEMENTS (FROM RECIPIENT VIEW) AS SUPPORT FOR THE PUBLIC SECTOR, DEVELOPMENT OF AN INDUSTRIAL BASE CONSIDERED ESSENTIAL BY LDCS (CONTRASTED WITH THE AGRICULTURAL EMPHASIS MORE COMMON IN WESTERN AID), AND A MORE READY OPPORTUNITY FOR LDC EXPORTS TO SOVIET BLOC COUNTRIES IN REPAYMENT OF AID. THE UK EXPERT DISAGREED - CITING THE HISTORIC SERIES OF "BLOC GOOFS" IN THE AID FIELDS, - AND TRIED TO SUGGEST A LIST OF ALTERNATIVE PROJECTS "THAT WOULD HAVE BEEN BETTER FOR THE LDCS."

SUPPORTING THE US EXPERT, THE TURKISH ECONAD (BULUKBASI) POINTED OUT ADVANTAGES SOVIET AID HAD FOR HIS COUNTRY, AND THE ITALIAN RECALLED SIMILAR COMMENTS HE HAD HEARD FROM DELEGATES TO THE NON-ALLIGNED CONFERENCE IN COLOMBO. THE FRENCH CONSIDERED SOVIET ECONOMIC AID HAD BUT NEGLIBILE SECRET

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IMPACT IN AFRICA, BUT ACKNOWLEDGED THE VALIDITY OF THE US REMINDER THAT SUB-SAHARAN ASPECTS OF THIS PROGRAM COMPRISED ONLY SOME 8 PER CENT OF THE TOTAL AND HAD NOT BEEN IN THE CENTER OF SOVIET INTEREST UNTIL RECENTLY.

6. ASSESSING THE EFFECTIVENESS OF SOVIET MILITARY AID THE UK FELT THAT THE "POSITIVE" FACTORS OF LOW PRICE, DISCOUNTS, LIBERAL REPAYMENT TERMS, EQUIPMENT QUALITY, AND SPEEDY DELIVERY WERE OFTEN NEGATED BY PROBLEMS IN LOGISTIC AND PARTS SUPPORT AND SOVIET UNWILLINGNESS TO PROVIDE THE MOST SOPHISTICATED TYPES OF EQUIPMENT: IRAQ AND LIBYA WERE AMONG THOSE DISSATISFIED ON THE LATTER COUNT.

7. WHILE THE GERMAN DELEGATION MIGHT HAVE BEEN EXPECTED TO PRESS FOR A DISCUSSION OF WESTERN EFFORTS TO ENGAGE COMMUNIST COUNTRIES IN THE NORTH/SOUTH DIALOGUE, IT DEVELOPED THAT THE GERMAN EXPERT HAD BUT RECENTLY BEEN ASSIGNED LDC RESPONSIBILITIES AND WAS NOT YET IN A POSITION TO DISCUSS EITHER WESTERN POLICY OR DETAILS OF COMMUNIST OPERATIONS. THE ISSUE AROSE WHEN THE DANISH REP INQUIRED WHETHER THERE WOULD BE A REVIEW OF THE CANADIAN PAPER (REPRODUCING AN INFORMAL "THINK PIECE" PREPARED FOR THE ALLIED POLICY ADVISORY GROUP (APAG) MEETING IN ISTANBUL). SINCE NO DELEGATION WAS INSTRUCTED ON THIS ASPECT, THE ISSUE WAS NOT PURSUED. BENNETT

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